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MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM AND FOR TECHNICAL AND FINANCIAL SUPPORT TO DEVELOPING COUNTRY PARTIES

A. IMPLEMENTATION OF ARTICLE 11 (FINANCIAL MECHANISM), PARAS. 1-4

Note by the secretariat

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I. BACKGROUND

A. Convention provisions and Committee mandate

1. The United Nations Framework Convention on Climate Change contains commitments on financing and transfer of technology in Article 4 and defines in Article 11 a mechanism to provide grant and concessional resources for these purposes. Article 11 specifies the functions and characteristics of the financial mechanism of the Convention, including its relationship to the Conference of the Parties (COP) (Article 11.1-2). On this last point, the Article states that the financial mechanism "shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention". Article 11 further stipulates that the operation of the mechanism "shall be entrusted to one or more existing international entities". It provides that the COP and the operating entity or entities shall agree on arrangements to give effect to the financial mechanism, specifying some of the modalities to be agreed. These include modalities relating to the determination of the amount of funding for the implementation of the Convention and to the reconsideration of particular funding decisions (Article 11.3).

2. The provisions relating to the financial mechanism are to be implemented by the COP at its first session, which is to review the related interim arrangements and decide whether they shall be maintained (Article 11.4).

3. These interim arrangements are set out in Article 21.3, that entrusts the Global Environment Facility (GEF) of the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the International Bank for Reconstruction and Development (IBRD) with the operation of the financial mechanism on an interim basis. In this connection, the GEF is to be appropriately restructured and made universal.

4. In renewing the mandate of the Intergovernmental Negotiating Committee, the General Assembly decided that the Committee should prepare for the first session of the COP and, in that context, "contribute to the effective operation of the interim arrangements set out in Article 21 of the Convention" (General Assembly resolution 47/195, para. 6). Consequently, the Committee is to lay the ground for the decisions of the COP relating to the financial mechanism of the Convention and is expected to work towards the objective of a well-functioning and well-funded mechanism. 1/ It is also expected to interact with the GEF so as to contribute to the fulfilment by the Facility of the relevant provisions of the Convention and to the effective operation of the Facility in relation to the Convention.

5. Part II of this note sets out a number of assumptions, as hypotheses for the purpose of discussion, and raises related questions that could help to focus the deliberations of the Committee. It may be envisaged that the Committee will need to extend its consideration of some of these questions to its eighth session.

B. The Global Environment Facility: summary information

6. For the benefit of participants in the Committee who may not yet be familiar with the functioning of the GEF, this note presents some summary background information on the Facility that is relevant to the tasks of the Committee. The addendum to this note reproduces some extracts from documentation relating to the GEF, in English only.

7. The purpose of the GEF is to "provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits". It finances activities in four focal areas: "global warming" (corresponding to "climate change" in the language of the Convention), biological diversity, ozone depletion and international waters. 2/ The first three of these four areas are covered by international conventions. Activities under the heading of global warming are generally aimed at reducing emissions of greenhouse gases (GHGs).

8. The GEF was established for a three-year pilot phase by resolution No. 91-5 of the Executive Directors of the IBRD (March 1991). Its establishment was subsequently endorsed by the Governing Councils of UNDP and UNEP (May 1991). Operating procedures were agreed by the executive heads of these three bodies, known as the Implementing Agencies (October 1991).

9. During its pilot phase, the GEF has been functioning under the collective policy guidance of its Participants, namely States that have contributed to the Facility or that have expressed the intention to do so. Currently, 43 States are considered to be Participants. 3/ The Participants normally meet twice a year. At each of their regular meetings, the GEF Participants review and broadly endorse successive "tranches" of a work programme prepared jointly by the Implementing Agencies and submitted to the meeting by its Chairman. In connection with this programme review, Participants may comment on specific projects in the work programme.

10. The GEF Participants are supported in their functions of policy guidance and programme review by a Scientific and Technical Advisory Panel (STAP), composed of 16 independent members. The STAP has drawn up criteria for eligibility and priorities for projects in the GEF work programme. These include criteria and priorities that are generally applicable and those that are specific to projects in one focal area (e.g. global warming projects). 4/ The STAP also reviews individual projects submitted by the Implementing Agencies and advises on their conformity with its criteria and priorities. The outcome of STAP project reviews is reported to the GEF Participants in the detailed work programme submission by the Chairman of the Participants' meetings. The STAP normally meets quarterly; it is supported in its review and evaluation functions by ad hoc working groups, including one on global warming projects.

11. Projects in the GEF work programme remain the responsibility of the respective Implementing Agencies. This responsibility is allocated according to an agreed division of labour by type of project. 5/ The three agencies, together with the GEF Administrator, make up the Implementation Committee, that approves the inclusion of projects in the GEF work programme. Each Implementing Agency follows its regular procedures for the formulation,

appraisal, approval, execution and evaluation of projects financed through the GEF.

12. The Chairman of the GEF Participants' meetings plays a key facilitating role in the GEF system, supported by the GEF Administrator and his staff. The Chairman is the interpreter of the Participants' consensus and their spokesman. He is also the link between the GEF Participants and the secretariats of the Implementing Agencies; his reports are the principal medium of the accountability of these agencies to the GEF Participants' meetings. Under current arrangements, the Chairman is a senior official of the World Bank.

13. The resources available to the three-year pilot phase of the GEF amount to some US$ 880 million in the core fund and $350 million in bilateral financing arrangements - for a total of US$ 1,230 million. An initial guideline from the GEF Participants concerning the allocation of core funds among the four focal areas indicated that the global warming portfolio should account for some 40 to 50 per cent of the total. The GEF work programme, as it stood in December 1992 on the submission of the fourth tranche of projects, contained 96 projects worth some US$ 700 million. The global warming portfolio accounted for 38 projects worth about US$ 280 million, i.e. approximately 40 per cent of the total on both counts. 6/

C. "Restructuring" of the GEF

14. The term "restructuring" is used in the GEF to describe a process of institutional review and reform that has been under way since early 1992. This term is also reflected in Article 21.3 of the Convention. The GEF restructuring process aims to facilitate the transition of the GEF beyond its pilot phase and to prepare for the linkage of the GEF to the conventions on climate change and on biological diversity. At a meeting in April 1992, the Participants agreed upon a document entitled "The GEF: Beyond the Pilot Phase". 7/ This included a set of eight principles to guide a modified GEF. The section of the document containing these principles is reproduced in the addendum to this document.

15. Policy guidance emanating from these principles recognizes the primacy of the Parties to a convention in determining policy, programme priorities, guidelines for project formulation and eligibility criteria related to that convention. 8/ The principles stress some other policy points that are also relevant to the Framework Convention on Climate Change, notably: grant and concessional funding, agreed incremental costs, agreed global environmental benefits, cost-effectiveness, consistency with national priorities, use of existing institutional capacities, universality, transparency and accountability.

16. Most of these policy guidelines have explicit counterparts in the Convention. With respect to incremental costs, the formula in the Convention (Article 4.3) is "agreed full incremental costs" (emphasis added). One GEF policy guideline that is not explicit in the Convention, in relation either to the financing commitments or to the financial mechanism, is that on achieving agreed global environmental benefits. This guideline is tempered by reference to the difficulty of distinguishing global from national benefits and to the

influence of national policies on the costs of achieving global benefits. The only comparable formula in the Convention, "global benefits", occurs in the third principle (Article 3.3) in the context of the cost-effectiveness of measures to deal with climate change; these are to "cover all relevant sources, sinks and reservoirs of GHGs and adaptation, and comprise all economic sectors".

17. The same GEF document discusses issues of governance of the GEF, including the functioning of linkages with conventions. It envisages that the Participants, through a Participants' Assembly (GEF/PA), would ensure that GEF programmes conform with the guidance provided by conferences of parties and would submit regular reports to them; and that the GEF secretariat would liaise with convention secretariats to ensure coordination. Emphasis is placed on coordinated representation in COPs and GEF/PA. The question is raised of possible linkages between the memberships of the STAP and of the scientific/technical advisory bodies of conventions.

18. In their subsequent work, the GEF Participants have continued consideration of governance issues. At their most recent regular meeting, on 3-5 December 1992 (Abidjan, Côte d'Ivoire), the focus was on the legal framework of the GEF and on arrangements for the GEF/PA: universal membership, organization of deliberations and decision-making. These points are covered by paragraphs 3-6 of the Chairman's Summary of that meeting, reproduced in the addendum to this note.

19. There appears to be consensus among the Participants that the legal framework for the GEF after its pilot phase would be enshrined in a document to be endorsed by the GEF Participants before its adoption by the governing bodies of the Implementing Agencies. There is also agreement on the objective of universal membership; to encourage this, it is envisaged to abolish the current minimum contribution to the GEF (US$ 4 million). This "membership fee" has been considered a deterrent to membership by developing countries. However, administrative expenses of the GEF would need to be recovered.

20. Two issues remain open: a constituency arrangement for organizing deliberations in the GEF/PA and a voting system for cases where consensus cannot be achieved. The latter would need to give due weight to the interests of both recipient and contributor countries. In the context of linkages to conventions, it has been proposed that participation in discussion and voting in the GEF/PA on matters related to a convention be limited to members of the GEF/PA that are parties to that convention or to constituencies that include such members.

21. The restructuring of the GEF is linked to the replenishment of the Facility for its next phase, 1994-1996. The availability of new funds for the GEF is likely to be conditioned on the expectation that they will be used to finance activities under the auspices of the conventions on climate change and biological diversity. This, in turn, will depend on the confirmation of the GEF in its functions by the respective Conferences of Parties, in consequence of its satisfactory restructuring.

22. Discussion of governance issues will continue at a special meeting of the GEF Participants on 4-5 March 1993 (Rome, Italy). Information on its outcome

will be conveyed to the Committee at its seventh session. The next regular meeting of Participants is scheduled to take place on 26-28 May 1993 (Beijing, China). Linkages between the GEF and the conventions are expected to be discussed at that meeting, as is a policy paper on incremental costs. 9/ Governance and replenishment issues will continue to be on the agenda. The GEF schedule provides for a further special Participants' meeting on governance issues on 23-24 September 1993 (Washington D.C., USA) and a regular meeting on 8-10 December 1993 (Geneva, Switzerland). It is planned that the discussions on the restructuring of the GEF should be concluded at the December 1993 meeting.

II. QUESTIONS CONCERNING THE FINANCIAL MECHANISM OF THE FRAMEWORK CONVENTION ON CLIMATE CHANGE

A. What is the financial mechanism?

23. Article 11 refers to both a financial mechanism (that is "defined", not established), and to one or more entities that will operate the mechanism. The implementation of Article 11 will require clarification of these provisions; the COP should know the identity of its interlocutor (the mechanism), as the recipient of its guidance and as the source of accountability to it.

24. As drafted, Article 11 could give rise to two hypotheses concerning the identity of the financial mechanism:

(a) That the financial mechanism is intended to be a distinct entity other than the operating entity/ies;

(b) That the term "financial mechanism" is intended to encompass the set of arrangements to be made under Article 11, including the operating entity/ies, but not necessarily to imply the existence of a distinct entity other than the operating entity/ies. 10/

25. If the second hypothesis were to hold good, an operating entity would be a direct interlocutor of the COP, receiving guidance from the COP and being accountable to it. Moreover, the governance of an operating entity would be expected to conform to the provisions of Article 11.2.

26. Under either hypothesis, the question would arise whether the operating entity/ies would be legally bound by the guidance and decisions of the COP. In principle, the Convention only binds Parties to it. Of course, Parties to the Convention would be expected to act consistently with the Convention - and certainly not against its purposes - in other bodies of which they are members. Nevertheless, it may be worth considering whether the relations between the COP and an operating entity might need to be governed by a legal agreement.

27. The Committee may wish to consider and clarify these matters.

B. What types of measures is the financial mechanism to fund?

28. Article 11 does not specify the types of actions or measures to be funded by the financial mechanism, except for the transfer of technology. Such specification is left to emerge from the policies, priorities and criteria to be decided by the COP. Article 4.3, that contains commitments by developed Parties listed in annex II to provide new and additional financial resources for developing country Parties, envisages funding for two broad categories of measures and related costs:

(a) Compliance with obligations under Article 12.1 to communicate information; "agreed full costs" are to be met; there is no reference to Article 11;

(b) Measures covered by Article 4.1; "agreed full incremental costs" are to be met; reference is made to Article 11.

29. With respect to the second category, Article 4.3 does not distinguish among the types of measures set out in Article 4.1. It specifies only that the measures to be funded are to be agreed between a developing country Party and the operating entity/ies of the financial mechanism, in accordance with Article 11.

30. Article 4.1 covers a range of possible measures, including measures to mitigate climate change but also actions relating to adaptation to climate change, as well as to research, information exchange, education, training and public awareness. Some of the latter are spelled out in Articles 5 and 6. Furthermore, Article 4.8 calls for consideration, in the implementation of commitments in Article 4, of actions related to funding, insurance and transfer of technology to meet specific needs and concerns arising from the adverse effects of climate change and the impact of response measures.

31. It may also be noted that the transfer of technology, which is mentioned as part of the financial commitments in Article 4.3 and as one purpose of the financial mechanism in Article 11.1, is the subject of a specific commitment: Article 4.5.

32. Viewing the second element of paragraph 3 of Article 4 in this context may lead to the conclusion that it permits funding through the financial mechanism for the agreed full incremental costs of all types of measures and actions specified in paragraphs 1, 5 and 8 of that Article. On the other hand, paragraph 4 of the same Article establishes a separate commitment with respect to assistance in meeting the costs of adaptation to the adverse effects of climate change. The latter paragraph does not refer to the financial mechanism.

33. It would be desirable for the Committee to provide a preliminary clarification of the intended scope of the measures to be funded through the financial mechanism. Otherwise the burden of such clarification would fall upon the operating entity/ies, in responding to specific requests for funding. Answers to the following questions would help to clarify this matter:

(a) Is the first element of Article 4.3 (agreed full costs of compliance with Article 12.1) within the scope of the financial mechanism defined in Article 11?

(b) Is the intended scope of that financial mechanism limited to the implementation of the funding commitments in Article 4.3? Or does its scope also comprise the commitment in Article 4.4?

(c) Does the second element of the commitment in Article 4.3 apply to the agreed full incremental costs of all types of measures covered in Article 4.1? Is it affected by Article 4.5? and by Article 4.8?

C. Could the GEF be the sole operating entity of the financial mechanism?

34. The GEF is designated as the entity to operate the financial mechanism on an interim basis. It may be assumed that, if the GEF fulfils the conditions set by the Convention to the satisfaction of the COP, it will be confirmed as an operating entity by the COP, at least up to the review provided for in Article 11.4, within four years of the first COP. The question arises whether the GEF could be the sole operating entity. The answer to this question depends on that to the previous one, on the scope of the financial mechanism.

35. As stated earlier, GEF funding is oriented to the achievement of "agreed global environmental benefits". In funding climate change projects during its pilot phase, the GEF has focused on measures aimed at mitigating climate change by reducing GHG emissions. Mitigation can clearly be considered a global environmental benefit; it reduces the global risk of "dangerous anthropogenic interference in the climate system" (Convention, Article 2).

36. However, as pointed out in discussing the scope of the financial mechanism, that mechanism may be required to fund measures other than those to mitigate climate change by limiting emissions, including the various types of measures in Article 4.1 (g) to (i) and possibly adaptation measures (see para. 30 above). This requirement gives rise to the following questions for consideration by the Committee concerning the compatibility between the scope of the financial mechanism and the orientation of the GEF to achieving global environmental benefits:

(a) Will all measures determined to be within the scope of the financial mechanism be deemed to produce (or lead to, or be supportive of) global environmental benefits? Or will the scope of the financial mechanism be limited to specified measures that are considered to produce such benefits? An affirmative answer to either question would mean that the GEF, with its present terms of reference, would be available to function as the sole operating entity of the financial mechanism, if so decided by the COP;

(b) If neither answer is affirmative, will the terms of reference of GEF be modified to correspond to the scope of the financial mechanism? Or will the COP need to designate one or more other operating entities to fund measures that fall outside the mandate of the GEF? Or will finance for such measures be

provided through channels outside the financial mechanism, as envisaged in Article 11.5?

D. How will the Convention affect the GEF?

37. If it is assumed that the provisions of Article 11 that are applicable to "the financial mechanism" are also intended to apply to its operating entity/ies, a number of questions arise regarding the application of Articles 11 and 21 in relation to the GEF as an operating entity.

38. An overriding issue is how to ensure the continuing compatibility of the interests and strategies of the COP with those of the GEF and its major stakeholders, including its Implementing Agencies. This question is rendered more complex by the fact that the convention on biological diversity will generate its own dynamics in relation to the GEF. If the GEF is convention-driven, could it be driven on to diverging tracks? If the conventions are finance-driven, could the weight of the practices and procedures of the GEF and its Implementing Agencies attenuate the policy primacy of the convention Parties?

39. The harmonious reconciliation of these tendencies will be promoted if, as may be hoped, governments take coherent and consistent decisions in the different institutions, as a result of adequate interdepartmental coordination at the national level. If membership in the institutions is identical or largely overlapping, this should encourage compatibility. Efforts to override differences in international institutional cultures and decision-making processes will also be constructive. At the same time, specific operating arrangements will need to be agreed between the respective Conferences of the Parties and the GEF. Such arrangements will help to avert differences in interpretation of respective roles and functions. As suggested earlier, such agreements may need to take a legal form. Such formal arrangements will be reinforced by collaborative working relations among the respective presiding officers, bureau members and secretariats.

40. In respect of the Framework Convention on Climate Change, the following are among the more specific questions that arise.

(i) How will the GEF function under the guidance of the COP?

41. The Convention specifies that, in the context of providing guidance to the financial mechanism, the COP is to decide on policies, programme priorities and eligibility criteria related to the Convention (Article 11.1). This will imply a significant modification of existing GEF decision-making processes, affecting the roles of the GEF Participants and the STAP, and possibly also the procedures of the Implementation Committee and the Implementing Agencies.

42. It may be assumed that the COP will take over responsibility for policy guidance from the GEF/PA in relation to the GEF global warming or climate change programme and that it will review, and may decide to modify, existing or evolving GEF policies, priorities and criteria related to that programme. Such review could apply, for example, to current approaches to the determination of

global benefits, agreed full incremental costs and cost-effectiveness in relation to climate change projects; to the relevant generic and specific criteria and priorities elaborated by the STAP for GEF projects; or to policy and practice relating to multi-sectoral GEF projects that involve a climate change component. The COP would take into account provisions of the Convention relevant to programme priorities, including Articles 4 (paras. 1, 4, 5, 8 and 9), 5 and 6. Inputs to programme content may also be drawn from relevant chapters of "Agenda 21", adopted by UNCED. Consideration may be given to the role that might be played in support of these functions of the COP by one or both of the subsidiary bodies established by the Convention (Articles 9 and 10).

43. It may further be assumed that, for its part, the GEF "system" will retain responsibility for programme elaboration and for project approval. This division of labour will need to be worked out in practice and kept under review.

44. A number of questions arise concerning this division of labour:

(a) What body will ensure conformity of GEF climate change projects to the guidance and decisions of the COP, in accordance with Article 11.3(a)? Would this be the task of the GEF/PA or of the STAP?

(b) How can the modalities pursuant to Article 11.3(b), for reconsideration of funding decisions - presumably at the request of the COP - be defined so as to respect the division of labour?

(c) How may differences be resolved between the GEF and developing country Parties in interpreting and applying Article 4.3 (e.g. with respect to the determination of the "agreed full incremental costs" of specific measures)?

(d) Will there be a need to define a division of labour and specify collaborative working arrangements between the Subsidiary Body for Scientific and Technological Advice (Article 9) and the STAP?

45. Some more general questions also arise, for example:

(a) Will there be areas of guidance from the COP to the GEF/PA other than "policies, programme priorities and eligibility criteria"?

(b) Will all GEF activities relating to its climate change portfolio be subject to COP guidance and decisions? Or could the GEF fund climate change activities in States not eligible for assistance under the Convention, i.e. non-Parties or Parties that are not developing countries?

46. The Committee may consider what preliminary guidance it can give to the GEF Participants on the above and related questions concerning the modus operandi under the Convention. It may also consider whether it would be useful to consider at a future session any issues of policy, priorities and criteria on which the COP would need to decide, e.g. in relation to the determination of "agreed full incremental costs". If so, the Committee may wish to give thought to the preparatory work that might be needed.

(ii) How will the accountability of the GEF to the COP operate?

47. The Convention specifies that the financial mechanism shall be accountable to the COP (Article 11.1) and that an operating entity shall provide regular reports to the COP on its funding operations (Article 11.3(c)).

48. It may be assumed that:

(a) The COP, at each session as needed, will address a report, resolution or other communication to the GEF/PA, compiling its relevant guidance and decisions adopted at that session, for consideration and action by the GEF/PA;

(b) Such a communication from the COP will be automatically placed on the agenda of the GEF/PA;

(c) The regular (twice-yearly) reports on GEF funding operations to the GEF/PA by its Chairman could be made available to the COP, possibly under cover of a note drawing attention to the relevant parts.

49. Questions arising in this connection include the following:

(a) Will the content of the GEF/PA Chairman's regular reports need to be modified to respond to the needs of the COP?

(b) What separate reports will be required on the implementation by the GEF of specific guidance and decisions of the COP?

(c) Are the rules and practices of the GEF Implementing Agencies concerning the disclosure of information compatible with the requirement for accountability to the COP (in particular with respect to reconsideration of funding decisions)?

50. The Committee may consider what preliminary guidance it can give to the GEF on the above and related questions.

(iii) How will levels of GEF funding for the implementation of the Convention be determined?

51. The Convention provides that the COP and the operating entity/ies shall agree on arrangements for "determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed" (Article 11.3 (d)). The funding for the Convention is to be "new and additional" (Article 4.3) and "on a grant or concessional basis" (Article 11.1). The COP is to "seek to mobilize financial resources in accordance with Article 4, paragraphs 3, 4 and 5, and Article 11" (Article 7.2(h)).

52. One of the fundamentals of the GEF is that it is a single fund with a single replenishment process. It is not conceived of as an aggregation of discrete "windows". The first GEF replenishment process, now getting under way and due to be completed by the end of 1993, will raise fresh funding for the period 1994-1996. It will seek to reconcile the needs of each focal area or convention in that period with the aggregate availability of funds from contributors and their views on "burden-sharing", i.e. the allocation of the overall fund-raising target among contributors. As indicated earlier, the availability of funding is likely to be related to the degree of confidence that the GEF will be confirmed as a means to finance activities under the auspices of the conventions on climate change and biological diversity.

53. On this point, it should be noted that the amount of funding needed by developing countries to meet their obligations under the Framework Convention on Climate Change in the 1994-1996 period is likely to be small. Funding arising from the initial obligations of developing country Parties to communicate information under Article 12.1 is likely to start late in that period, on account of the provisions of Article 12.5 concerning the timing of such communications. Consequently, the emphasis of GEF funding in support of the Convention in 1994-1996 will be on preparations for the implementation of commitments by developing country Parties (e.g. national "country studies", data collection, capacity building), and on projects consistent with their commitments. Funding needs for climate change will have to be assessed with this in mind.

54. The Committee may consider:

(a) How it can contribute to the current GEF replenishment process and to the determination of the funding necessary and available for the climate change portfolio in the next phase of GEF?

(b) How will the COP be able to influence the outcome of future replenishment processes and the apportionment of the available sum among the GEF's focal areas in the light of the needs under the Convention?

(iv) What GEF governance arrangements can best respond to the Convention's requirements?

55. The Convention provides that the financial mechanism "shall have an equitable and balanced representation of all Parties within a transparent system of governance" (Article 11.2). It further provides, in connection with the designation of the GEF as the interim operating entity, that "the GEF should be appropriately restructured and its membership made universal to enable it to fulfil the requirements of Article 11" (Article 21.3). It may be inferred from the context that the intent of the restructuring of the GEF includes the fulfilment of the characteristics set out in Article 11.2.

56. The current status of the restructuring of the GEF is summarized in paragraphs 14 to 22 of this note. Information on subsequent developments will be conveyed to the Committee at the start of its seventh session.

57. The COP will in due course need to make a determination of the adequacy of the governance arrangements for the GEF in the light of Articles 11 and 21.3. 11/ However, it would be desirable for the Committee, by its eighth session, to give the GEF a clear signal on this key issue, so that the restructuring of the GEF could be satisfactorily completed this year and replenishment proceed with some confidence as to the outcome of the review by the COP of the interim arrangements for the financial mechanism.

58. In addition to giving guidance on governance issues, the Committee may wish to give its views on various means of buttressing formal governance arrangements, e.g. coordinated governmental representation in meetings under the Convention and the GEF, reciprocal participation by presiding officers and other bureau members, and inter-secretariat collaboration.

Notes

1/ See tasks B.1 and B.3 in the work plan adopted by the Committee at its sixth session (A/AC.237/24, para. 44); see also annotations to task B.1 in A/AC.237/24, annex I.

2/ See GEF, "The Pilot Phase and Beyond", May 1992 - hereinafter "GEF 1992" - Part One, Principles I and II.

3/ The breakdown of these 43 States is as follows: 28 actual contributors (of which 10 developing countries); 15 others (of which 12 developing countries and 2 countries with economies in transition).

4/ The documentation in the addendum to this note includes extracts from a STAP document on project eligibility criteria and priorities and from the latest report by the Chairman of the STAP to the GEF Participants.

5/ For example, the World Bank is responsible for investment projects, the UNDP for technical assistance projects and pre-investment feasibility studies.

6/ Information in this paragraph is drawn from the Chairman's Report to the December 1992 Participants' meeting. See tables 2 and 3 from that report, reproduced in the addendum to this note.

7/ GEF 1992, Part One.

8/ Ibid, note accompanying Principle III.

9/ A technical workshop on measuring incremental costs of climate change projects was organized by GEF on 8-9 February 1993 (New Delhi, India). Its outcome is expected to be available at the special meeting of the GEF Participants in March.

Notes (continued)

10/ An alternative to this hypothesis is that the set of arrangements under Article 11 could include a subsidiary body of the COP that would be the conduit for relations between the COP and the operating entity/ies. Note the relationship defined in Article 9 between the Subsidiary Body for Scientific and Technological Advice and "existing competent international bodies".

11/ The provisions of UNCED's "Agenda 21" on GEF restructuring (para. 33.14(a)(iii) and their consideration by the Commission on Sustainable Development will be relevant to the COP's decision. This paragraph of "Agenda 21" is reproduced in the addendum to this note.